



TULARE COUNTY TREASURER'S INVESTMENT POOL

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Issued By
Rita Woodard
Auditor-Controller /Treasurer-Tax Collector

Mission Statement

It is the Mission of the Tulare County Treasury to provide the citizens, agencies, and employees of Tulare County with effective high quality financial services in a manner that is professional, courteous, responsive and efficient. To meet our service obligations, we employ modern, cost effective, and flexible methodologies in the receipt, investment, and security of public monies in an overall effort to maintain the highest levels of customer service satisfaction and public confidence.

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INTRODUCTORY SECTION

County of Tulare

221 S Mooney Blvd Room 103-E
Visalia, California 93291-4593



Rita A. Woodard
Auditor-Controller/Treasurer-Tax Collector

Hiley Wallis, Chief Deputy Treasurer-Tax Collector

Telephone: (559) 733-6526

Fax: (559) 733-6988

www.tularecountytax.com



December 11, 2008

Board of Supervisors & Treasury Oversight Committee
County of Tulare
Tulare County Administration Building
Visalia, California 93291

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Tulare County Investment Pool (the "Investment Pool") for the year ended June 30, 2008. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Treasurer's Office.

To the best of our knowledge and belief, the enclosed data are accurate in all material respects, and are reported in a manner designed to present fairly the financial position and changes in financial position of the Investment Pool in conformity with accounting principals generally accepted in the United States of America (GAAP). All disclosures necessary to enable the reader to gain an understanding of the Investment Pool's financial activities have been included.

The Investment Pool's financial statements have been audited, in accordance with auditing standards generally accepted in the United States, by the Brown Armstrong Accountancy Corporation, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Investment Pool for the year ended June 30, 2008, are free of material misstatement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Investment Pool's financial statements for the year ended June 30, 2008, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Management provides a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter transmittal is designed to compliment the MD&A and should be read in conjunction with it. The Investment Pool's MD&A can be found after the independent auditor's report.

This CAFR is presented in four (4) major sections:

1. The introductory section, which is unaudited, consists of this letter of transmittal, including a profile of the Tulare County Investment Pool, acknowledgements, and a list of the Treasury Oversight Committee Members.
2. The financial section, provides management's discussion and analysis, the financial statements, and notes to the financial statements. This section also contains the unqualified opinion of the independent auditor.
3. The investment section, which is unaudited, provides an overview of the Treasurer's investment program. This section contains information relating to the investment activities of the Treasury, including a summary of the Treasury's investment policies, the Pool's asset allocation, and other portfolio information.
4. The statistical section, which is unaudited, is the final section of the report and consists of various tables and schedules depicting trends and miscellaneous relevant data concerning Pool investments.

Profile of the Tulare County Investment Pool

The Tulare County Investment Pool (the "Investment Pool") is a local government Pool with more than \$786 million in assets as of June 30, 2008. The management responsibility for the Investment Pool has been delegated by the Tulare County Board of Supervisors to the Tulare County Auditor-Controller / Treasurer-Tax Collector, an elected official that is responsible for tax collection, banking, investment, and accountability of public funds. The Investment Pool is managed by the Treasurer's Office on behalf of the Investment Pool participants. As of June 30, 2008, the County's portion of the Investment Pool assets was approximately 29.2%, while the external portion that is not part of the County represented approximately 70.8% of the investment portfolio. Depositors in the Investment Pool include both "mandatory" and "voluntary" participants located within the County of Tulare.

Mandatory participants include the County of Tulare, K-12 school districts, the College of the Sequoias, and various special districts and other accounts controlled by the County Board of Supervisors. Mandatory participants are defined as those agencies required by law to deposit their funds with the County Treasurer's Office. Mandatory participants comprise the majority of the Investment Pool's assets, approximately 96% as of June 30, 2008.

Voluntary participants are those agencies that are not required to place their funds in the Investment Pool, and do so only as an investment option. Voluntary participants include County Retirement and various special district and other local government agencies. As of June 30, 2008, Voluntary participants accounted for approximately 4% of the Investment Pool.

In addition to investment management, the Treasurer's Office also provides cash management and banking services to all Non-Voluntary Participants. These services include, but are not limited to; warrant redemption, Automated Clearing House (ACH), Federal Wire payments, and acceptance of deposits.

Investment Policies and Practices

The Investment Pool's primary objective is the *Safety* and preservation of capital. The second objective is the continual maintenance of *liquidity* (or always having the ability to cover the cash flow needs of its participants). The third objective is *yield*. The following goals have been set for the next fiscal year 2008/2009:

- Improve systems and processes by working towards a paperless environment while maintaining appropriate internal control.
- Earn a total rate of return which is approximately equal to or greater than the benchmarks established by the investment policy.

The Treasurer's Office prepares the Investment Policy on an annual basis, to ensure the integrity of the Investment Pool and to provide guidelines for its operation. Upon completion of the Investment Policy by the Treasurer's Office, it is presented for review to the Treasurer's Oversight Committee, and then to the County Board of Supervisors for their approval at a public meeting.

The maturity distribution of the Investment Pool is limited by the Investment Policy, which places restrictions on the securities that may be purchased. Cash temporarily idle during the year was invested in obligations of the U.S. Treasury, U.S. government agencies, commercial paper, corporate bonds and medium-term notes, money market mutual funds, repurchase agreements and

federally insured and/or collateralized certificates of deposit. The maturities of the investments range from one day to five years, with a weighted average maturity as of June 30, 2008 of 609 days. The weighted average effective yield (annualized) on investments as of June 30, 2008 was 3.791%. To safeguard the investments, a custodian is employed to safekeep, settle, and accept interest payments on investments held by the Investment Pool. To facilitate internal security and safeguards, the Investment Policy requires an annual audit and the establishment and maintenance of internal control procedures.

For the 2007/2008 fiscal year, the investment pool earned a 4.42% annualized earnings rate (net of fees). The Investment Pool's average rate of return over the last three years was 4.09% and 3.50% over the last five years. The Treasurer's Office has implemented a system of internal controls designed to ensure the reliability of reported investment information. The Treasurer's Office provides monthly and quarterly investment reports to the Board of Supervisors. Furthermore, the Board of Supervisors has established the Treasury Oversight Committee, who monitors the management of funds and reviews the Investment Policy.

Please refer to the Investment Section (pages 29 - 37) of this CAFR for additional information on investments.

Significant Recent Market Events

The past financial year has been an exceptionally difficult one. The unprecedented financial market crisis of the past several months has created turmoil that has swept the markets. We have seen:

- The Federal Government take on direct responsibility for Fannie Mae and Freddie Mac, the two housing giants that collectively under-pin the housing market.
- Lehman Brothers file for bankruptcy after failing to find a buyer or persuade the Federal Government to intervene on its behalf.
- Bank of America agree to acquire Merrill Lynch after the nation's largest brokerage firm was weakened by the crisis.
- AIG, a worldwide insurance company, arrange an \$85 billion bridge loan from the Federal Reserve and give up 80% of its ownership in return.
- The Federal Reserve inject cash into money markets in the largest amounts since December 11, 2001 to maintain stability.

- Washington Mutual, the largest U.S thrift, seized by the Federal Government in the largest domestic bank failure after \$16.7 billion in recent withdrawals from customers. All bank assets were sold to JP Morgan.

The purpose of this letter is to assure you that the Investment Portfolio remains strong and stable in the face of these events. The Tulare County Treasurer's Investment Pool does not have investments in Lehman Brothers, Merrill Lynch, or Washington Mutual, and only minimal exposure to AIG (see page 34). The conservative investment management approach by the Treasurer's Office and our Investment Advisors, having successfully navigated through the crisis of the past year by putting safety and liquidity first, remains in place.

Acknowledgments

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Treasurer's Office. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and determining responsible management of the funds in the Investment Pool.

Requests for Information

This financial report is designed to provide a general overview of the Investment Pool's activities during fiscal year 2007-2008. Questions concerning any of the information provided in this report or requests for additional information, including a complete list of the Investment Pool's current holdings, should be addressed to the Office of the Tulare County Treasurer, 221 South Mooney Boulevard, Room 103-E, Visalia, California, 93291. A copy of this comprehensive annual financial report can be obtained at http://www.co.tulare.ca.us/government/treasurertax/treasurer_information/.

Respectfully,



Rita A. Woodard

Tulare County Auditor-Controller/Treasurer-Tax Collector

TREASURY OVERSIGHT COMMITTEE

John Snavelly, Chairman	Superintendent Porterville Unified School District
Stanley Bennett, Vice Chair	Business Owner Public Member
Ronald Bosetti	Retired Public Member
Eric Limas	Business Manager Lower Tule River Irrigation District
Jean Rousseau	County Administrative Officer County of Tulare
John Wilborn	Director, External Business Services Tulare County Office of Education
Rita Woodard	Auditor-Controller County of Tulare

TREASURY STAFF

Hiley Wallis	Chief Deputy Treasurer-Tax Coll.
Frank Vigario	Chief Accountant – Treasury
Catarino Galicia	Investment Officer
Kimberly Tapp	Treasury Teller/Cashier
Elisa Montoya	Treasury Teller/Cashier
Monica Martin	Treasury Teller/Cashier
Angela Culbertson	Secretary

FINANCIAL ADVISORS

PFM Asset Management

Chandler Asset Management

SAFEKEEPING AGENT

Union Bank of California

FINANCIAL SECTION



**BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER**
Certified Public Accountants

Main Office

4200 Truxtun Ave., Suite 300
Bakersfield, California 93309
Tel 661.324.4971 Fax 661.324.4997
e-mail: info@bacpas.com

Shafter Office

560 Central Avenue
Shafter, California 93263
Tel 661.746.2145 Fax 661.746.1218

Andrew J. Paulden, CPA
Peter C. Brown, CPA
Burton H. Armstrong, CPA, MST
Steven R. Starbuck, CPA
Aileen K. Keeter, CPA
Chris M. Thornburgh, CPA
Eric H. Xin, MBA, CPA
Richard L. Halle, CPA, MST

Harvey J. McCown, MBA, CPA
Lynn R. Krausse, CPA, MST
Rosalva Flores, CPA
Connie M. Perez, CPA
Diana H. Branthoover, CPA
Thomas M. Young, CPA
Alicia Dias, CPA, MBA
Matthew R. Gilligan, CPA
Hanna J. Sheppard, CPA
Ryan L. Nielsen, CPA
Jian Ou-Yang, CPA
Ryan S. Johnson, CPA
Jialan Su, CPA
Ariadne S. Prunes, CPA
Samuel O. Newland, CPA
Brooke N. DeCuir, CPA
Kenneth J. Witham, CPA
Clint W. Baird, CPA
Jose Garcia, CPA
Adrian Rich, CPA
Lance Larralde, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
County of Tulare
Visalia, California

We have audited the accompanying financial statements of the Treasurer's Investment Pool of the County of Tulare (the County), as of and for the year ended June 30, 2008, which collectively comprise the Pool's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Treasurer's Investment Pool of the County as of June 30, 2008, and results of its investment activity thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2009, on our consideration of the County of Tulare Treasurer's Investment Pool's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION

Bakersfield, California
January 16, 2009

**Tulare County Investment Pool
Management's Discussion and Analysis
June 30, 2008 (Unaudited)**

As management of the Tulare County Investment Pool (the Pool), we offer readers of the Pool's financial statements this narrative overview and analysis of the financial activities of the Investment Pool for the year ended June 30, 2008. The following analysis primarily focuses on the Investment Pool's current year results in comparison with the prior year. We hope that the information presented here, and in the Letter of Transmittal, provides you with a solid understanding of the Investment Pool's financial status as of June 30, 2008.

Financial Highlights

- ▶ The assets of the Investment Pool exceeded its liabilities at the close of the most recent fiscal year by \$786.3 million (net assets).
- ▶ The Investment Pool's total net assets increased by \$37.6 million. This represents a net increase of 5.0% over the last fiscal year.
- ▶ The net investment income of the Investment Pool increased by 29.8% from \$33.1 million for the year ended June 30, 2007, to \$43.0 million for the year ended June 30, 2008.
- ▶ During the year, the Investment Pool distributed \$32.2 million to participants compared to the previous year's distribution of \$29.0 million. This represents an increase of \$3.2 million (10.9%) over the last fiscal year.
- ▶ The Investment Pool's expense ratio was competitive at 0.15% of the average daily balance for the fiscal year 2007-08 and 0.14% for the fiscal year 2006-2007.
- ▶ As of June 30, 2008, the market value of the Investment Pool showed an undistributed and net unrealized gain of \$9.8 million compared to an undistributed and net unrealized gain of \$3.1 million at June 30, 2007.

Overview of Investment Pool Financial Statements

This discussion and analysis is intended to serve as an introduction to the Investment Pool's basic financial statements. The basic financial statements consist of two components:

- (1a) Statement of Net Assets; (1b) Statement of Changes in Net Assets;
- (2) Notes to the Basic Financial Statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Net Assets

The Statement of Net Assets presents information on the Investment Pool's assets and liabilities, with the difference between the two reported as *net assets*. The Investment Pool's net assets increased by \$37.6 million (5%) for the year ended June 30, 2008, primarily due to increased deposits by pool participants.

A summary of the Investment Pool's net assets is presented below.

STATEMENT OF NET ASSETS				
	2008	2007	Increase/ (Decrease)	Percentage
<u>Assets</u>				
Cash and Receivables	21,014,470	17,924,521	3,089,949	17.2%
Investments at Fair Value	765,742,326	731,178,945	34,563,381	4.7%
Total Assets:	786,756,796	749,103,466	37,653,330	5.0%
<u>Liabilities</u>				
Distributions Payable	428,462	386,327	42,135	10.9%
Total Liabilities	428,462	386,327	42,135	10.9%
Net Assets Held in Trust for Pool Participants	786,328,334	748,717,139	37,611,195	5.0%

Changes in Net Assets

The Statement of Changes in Net Assets presents information on how the Investment Pool's net assets changed during the most recent fiscal year. The additions include additions to pool investments, interest income and changes in the fair value of investments. The deductions consist of deductions from pool investments, income distributions to the Investment Pool participants and operating expenses. Both the additions to and deductions from the Pooled Investments include interfund activity.

A summary of the changes in the Investment Pool's net assets is presented below.

STATEMENT OF CHANGES IN NET ASSETS				
	2008	2007	Increase/ (Decrease)	Percentage
<u>Additions</u>				
Additions to Pooled Investments	5,998,926,860	5,714,827,060	284,099,800	5.0%
Net Investment Income	43,006,565	33,144,073	9,862,492	29.8%
Total Additions	6,041,933,425	5,747,971,133	293,962,292	5.1%
<u>Deductions</u>				
Distributions to Pooled Investments	5,971,028,221	5,628,232,150	342,796,071	6.1%
Distributions to Participants	32,195,598	29,036,998	3,158,600	10.9%
Treasury Operating Expenses	1,098,411	899,810	198,601	22.1%
Total Liabilities	6,004,322,230	5,658,168,958	342,796,071	6.1%
Changes in Net Assets	37,611,195	89,802,175	(48,833,779)	-54.4%
Net Assets Beginning of Year	748,717,139	658,914,964	89,802,175	13.6%
Net Assets End of Year	786,328,334	748,717,139	37,611,195	5.0%

**County of Tulare
Treasurer's Investment Pool
Statement of Net Assets
June 30, 2008**

ASSETS:

Cash on Hand and Bank Deposits (Note 2)	\$ 15,414,787
Interest Receivable	5,599,683
Investments (Note 3)	765,742,326
	<hr/>
Total Assets:	\$ 786,756,796
	<hr/> <hr/>

LIABILITIES AND NET ASSETS:

Liabilities:

Distributions Payable	\$ 428,462
	<hr/>
Total Liabilities	428,462
	<hr/> <hr/>

Net Assets:

Held in Trust for Treasury Pool Participants	786,328,334
	<hr/>
Total Net Assets	\$ 786,328,334
	<hr/> <hr/>

The notes to the basic financial statements are an integral part of this statement.

County of Tulare
Treasurer's Investment Pool
Statement of Changes in Net Assets
For the Fiscal Year Ended June 30, 2008

Additions:

Participants' Deposits		\$ 5,998,926,860
Investment Income: (Note 4)		
Interest and Dividends	\$ 31,241,604	
Gain on Sale of Investments	2,004,115	
Net Increase in Fair Market Value	9,760,846	
Total Investment Income Earned		43,006,565
Total Additions		6,041,933,425

Deductions:

Participants' Withdrawals (Note 5)		5,971,028,221
Income Apportioned to Participants		32,195,598
Operating Expenditures		1,098,411
Total Deductions		6,004,322,230
Increase in Net Assets		37,611,195
Beginning Net Assets Held In Trust For Pool Participants		748,717,139
Ending Net Assets Held in Trust for Pool Participants		\$ 786,328,334

The notes to the basic financial statements are an integral part of this statement.

County of Tulare
Treasurer's Investment Pool
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 1 – Summary of Significant Accounting Policies

A. Description of the Reporting Entity

The Tulare County Investment Pool (the Investment Pool) is part of the County of Tulare (the County) and is responsible for approximately \$786 million as of June 30, 2008. The cash balances of substantially all of the County's funds, as well as those of participating schools and agencies, are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. The Treasurer's Investment Pool (the Pool) is administered by the County Treasurer-Tax Collector and is not registered with the Securities and Exchange Commission. The Investment Pool's investment objectives are to safeguard principal, meet the liquidity needs of the participants, and return an acceptable yield within the parameters of prudent risk management (California Government Code sections 27000.5 and 53600.5).

Pursuant to Sections 27130-27137 of the California Government Code, the Board of Supervisors has established a Treasurer's Oversight Committee (TOC) whose function is to monitor compliance with the Investment Policy. The TOC is comprised of Tulare County officials, representatives from various pool participants, and members of the public. The Treasurer also reports on a monthly basis to the Board of Supervisors.

B. Reporting Method

The financial statements are prepared on the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Investment Pool follows the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board (GASB).

C. Investment Valuation

Treasury Pool investments are accounted for in accordance with the provisions of GASB 31, *Accounting and Financial Reporting for Certain Investments, and for External Investment Pools*, which requires governmental entities to report certain investments at fair market value in the statement of net assets and recognize the corresponding change in fair market value of investments in the year in which the change occurred. The fair market value of pooled investments is determined monthly and is based upon valuation provided by the Investment Pool's safekeeping agent

D. Investment Income and Apportionment

The County Treasurer calculates and records all interest earned, received, and accrued for the Treasurer's Investment Pool on a daily basis. Interest earned on the pooled investments is apportioned quarterly based on the average daily balance of each pool participant. It is the County's policy to charge interest to a participant whose average daily equity is negative.

Note 2 – Cash Deposits

As of June 30 2008, the Treasurer's Investment Pool's bank deposits had a carrying amount of \$65,414,787 including the investment in non-negotiable time deposits totaling \$50,000,000. The balance per the financial institution totaled \$70,580,090. Of the balances in the financial institutions, \$50,100,000 was covered by Federal Depository Insurance (FDIC). The remaining \$20,480,090 was collateralized with pooled securities as required by the California Government Code. The California Government Code requires California banks and savings and loan associations to secure the County's deposits by pledging government securities or first trust deed mortgage notes. The market value of the pledged government securities and first trust deed mortgage notes must be a least 110% and 150% of the County's deposits, respectively. The collateral is held by the pledging financial institutions trust department or its agent and is considered to be held in the County's name.

Note 3 - Investments

The Investment Pool's cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer. The objectives of the policy, in order of priority, are: preservation of capital, liquidity, and yield. The County's Investment Policy, in compliance with California Government Code Section 53635, authorizes the Treasurer to invest in the following:

- a) Bonds issued by the County of Tulare
- b) Obligations of the U.S. Treasury
- c) Obligations of the State of California
- d) Obligations of Federal Agencies or U.S. Government Sponsored Enterprises
- e) Bankers Acceptances eligible for purchase by the Federal Reserve System
- f) Commercial Paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record
- g) Negotiable Certificates of Deposit
- h) Medium Term Corporate Notes rated "A" or better
- i) Mutual Funds
- j) Repurchase and Reverse Repurchase Agreements
- k) Local Agency Investment Fund (LAIF)

Custodial Credit Risk

This is the risk that, in the event of failure by the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Treasury has limited its custodial credit risk on investments by having all investments in the name of the County. In accordance with the Governmental Accounting Standards Board Statement 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements, the County's investments have been classified into the following three categories of custodial credit risk:

- (1) Insured or registered, or securities held by the County or its agent in the County's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the County's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or by the counterparty's trust department or agent, but not in the County's name.

As of June 30, 2008, the entire portfolio is under category (1) except for Money Market Funds, which do not fall under any of the above categories of credit risk as the investment in these funds are not evidenced by securities that exist in physical or book entry form.

Interest Rate Risk

This is the risk that fluctuations in interest rates will adversely affect the fair value of an investment. The Treasury mitigates this risk by investing in longer-term securities only with funds that are not needed for current cash flow purposes and generally holding these securities to maturity.

Credit Risk and Concentration of Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment with a single issuer. The Treasury mitigates these risks by holding a diversified portfolio of high quality investments and limits the percentage of the total investments to the type of investment and to any one issuer by type of allowable investment instrument. State law also limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). The NRSRO's used by the County are listed in the County's investment policy and are Standard and Poor's, and Moody's. Securities that are fully guaranteed as to payment by an agency, or government sponsored enterprise of the US Government were rated AAA by a national recognized statistical-rating organization.

As of June 30, 2008, the County invested in primarily high quality investments as shown below.

Credit Ratings	
U.S. Treasury	13%
AAA	41%
A-1+ (short-term rating)	16%
A-1 (short-term rating)	3%
AA	10%
A	5%
FDIC Insured	7%
Not Rated**	5%
Total	100%

** The portion of the portfolio that is not rated represents the \$40,000,000 deposit in LAIF, the State of California investment fund.

The Investment Pool's Investments as of June 30, 2008, are as follows:

	Carrying Value (000)	Reported/ Fair Value (000)	WAM (in days)	Stated Interest Rate	Maturity Range
U.S. Treasury Obligations	\$ 101,986	\$ 104,345	1,281	2.750% - 5.750%	08/2010 - 04/2013
Federal Agency Obligations	247,143	250,255	899	2.232% - 7.125%	07/2009 - 02/2013
Corporate Notes/Bonds	140,252	139,767	716	3.875% - 8.750%	01/2009 - 10/2012
Municipal Obligations	4,943	4,923	875	3.390% - 4.510%	08/2010 - 04/2011
Repurchase Agreements	93,000	93,000	1	2.120%	07/01/2008
Commercial Paper (Discount)	48,741	48,736	68	2.780% - 2.810%	09/2008 - 09/2008
	<u>636,065</u>	<u>641,026</u>			
Other investments:					
Non-negotiable Time Deposits	50,000	50,000	44	2.800%	07/2008 - 09/2008
Money Market Funds	34,718	34,718			
LAIF Managed Pool	<u>40,000</u>	<u>39,998</u>			
Total other investments	<u>124,718</u>	<u>124,716</u>			
Total Investments	<u>\$ 760,783</u>	<u>\$ 765,742</u>			

The Investment Pool held investments in excess of 5% of the total yearend investments for the following issuers:

Issuer	Amount	Percentage
Bank of America	105,406,462	13.8%
United States Treasury	104,344,808	13.6%
Federal Home Loan Bank	72,194,849	9.4%
Federal National Mortgage Association	70,967,539	9.3%
Federal Home Loan Mortgage Corporation	65,017,512	8.5%

Note: The \$105,406,462 obligation from Bank of America includes a \$93,000,000 collateralized overnight repurchase agreement.

Investments in Money Market Funds and the LAIF Managed Pool are not categorized, in accordance with GASB No. 3 because they are not evidenced by securities that exist in physical or book entry form.

California Local Agency Investment Fund (LAIF)

The State Treasurer's Local Agency Investment Fund (LAIF) is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee comprised of California State officials and various participants provide oversight to the management of the fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within twenty-four hours without penalty or loss of interest. The value of the County's shares in LAIF that may be withdrawn is determined on an amortized cost basis, which may be different from the fair value of the County's position in the pool. As of June 30, 2008, the Investment Pool's investment in LAIF is \$39,998,009. The total amount recorded by all public agencies in LAIF at that date is \$25,160,913,446. Of that amount, 85.28% is invested in non-derivative financial products and 14.72% of the portfolio is invested in Medium-term and Short-term Structured notes (11.12%) and Asset-backed securities (3.60%).

Repurchase Agreements

Repurchase Agreements are contracts in which a broker/dealer sells securities to the Investment Pool with an agreement to repurchase those securities for a fixed price at an agreed-upon date. Government Code requires that California public entities that utilize repurchase agreements collateralize the investments that underlay the repurchase agreements with amounts that exceed cost. The market value of the securities underlying the repurchase agreements must be valued at 102% or greater. The Pool's Investment Policy reflects this requirement.

Note 4 – Treasury Pool Income

The fair market value fluctuates with interest rates, and increasing rates could cause the value to decline below original cost. However, County management believes the liquidity in the portfolio is more than adequate to meet cash flow requirements and to preclude the County from having to sell investments below original cost for that purpose.

As of June 30, 2008, the investment income was comprised of the following:

Investment Income	
Interest and Dividends	\$ 31,241,604
Net Increase in the Fair Value	11,764,961
Less: Investment Expenses	<u>(1,098,411)</u>
Total Treasury Pool Income	<u><u>\$ 41,908,154</u></u>

The net increase in fair market value gain and gain on sale of investments during the fiscal year 2007-2008 was \$11,764,961. This amount takes into account all changes, including the net gain on sale of investments of \$2,004,115 that occurred during the year. The fair market value gain on investments held as of June 30, 2008, was \$9,760,846.

Note 5 – Income Apportionment and Participant Withdrawals

The County Treasurer calculates and records all interest earned, received, and accrued for the Pool on a daily basis. The apportionment of investment earnings to the various funds participating in the Investment Pool is done at the end of each calendar quarter pursuant to Government Code Section 53647.

The apportioned amount is computed as follows:

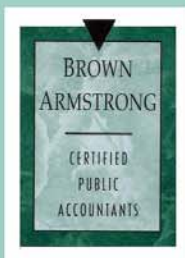
$$\text{Participating Share of Pool Income} = \frac{(\text{Fund's Avg. Daily Equity} \times \text{Pool Total Income})}{\text{Total Pool Average Daily Equity}}$$

The value of the participant's shares in the pool that may be withdrawn is determined on an amortized cost basis, which may be different from the fair market value of the participant's position in the Pool.

Note 6 – Interfund Balance

Distributions Payable represents current outstanding balances between funds at the end of the fiscal reporting period. The County's computerized general ledger only allows for the transfer of cash between funds until mid-July following the end of the fiscal year. Therefore, the recording of interfund activity, which occurred during the fiscal year, but which is entered to the system after mid-July, results in an interfund payable. The balance due to pool participants at June 30, 2008, was \$428,462.

OTHER INDEPENDENT AUDITOR'S REPORT



**BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER**
Certified Public Accountants

Main Office

4200 Truxtun Ave., Suite 300
Bakersfield, California 93309
Tel 661.324.4971 Fax 661.324.4997
e-mail: info@bacpas.com

Shafter Office

560 Central Avenue
Shafter, California 93263
Tel 661.746.2145 Fax 661.746.1218

Andrew J. Paulden, CPA
Peter C. Brown, CPA
Burton H. Armstrong, CPA, MST
Steven R. Starbuck, CPA
Aileen K. Keeter, CPA
Chris M. Thornburgh, CPA
Eric H. Xin, MBA, CPA
Richard L. Halle, CPA, MST

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Harvey J. McCown, MBA, CPA
Lynn R. Krausse, CPA, MST
Rosalva Flores, CPA
Connie M. Perez, CPA
Diana H. Branthoover, CPA
Thomas M. Young, CPA
Alicia Dias, CPA, MBA
Matthew R. Gilligan, CPA
Hanna J. Sheppard, CPA
Ryan L. Nielsen, CPA
Jian Ou-Yang, CPA
Ryan S. Johnson, CPA
Jialan Su, CPA
Ariadne S. Prunes, CPA
Samuel O. Newland, CPA
Brooke N. DeCuir, CPA
Kenneth J. Witham, CPA
Clint W. Baird, CPA
Jose Garcia, CPA
Adrian Rich, CPA
Lance Larralde, CPA

**Board of Supervisors
County of Tulare
Visalia, California**

We have audited the financial statements of the Treasurer's Investment Pool of the County of Tulare (the County), as of and for the year ended June 30, 2008, and have issued our report thereon dated January 16, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Supervisors, Treasury Oversight Committee, management, and others within the administration of the County of Tulare Treasurer's Investment Pool and is not intended to be and should not be used by anyone other than these specified parties.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION



Bakersfield, California
January 16, 2009



**BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER**
Certified Public Accountants

Main Office

4200 Truxtun Ave., Suite 300
Bakersfield, California 93309
Tel 661.324.4971 Fax 661.324.4997
e-mail: info@bacpas.com

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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
County of Tulare
Visalia, California

We have examined management's assertion, included in the management representation letter dated January 16, 2009, that the County of Tulare Treasurer's Investment Pool (the County) complied with the provisions of the California Government Code and the County's Investment Policy during the fiscal year ended June 30, 2008. Management is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination of the County's compliance with specified requirements.

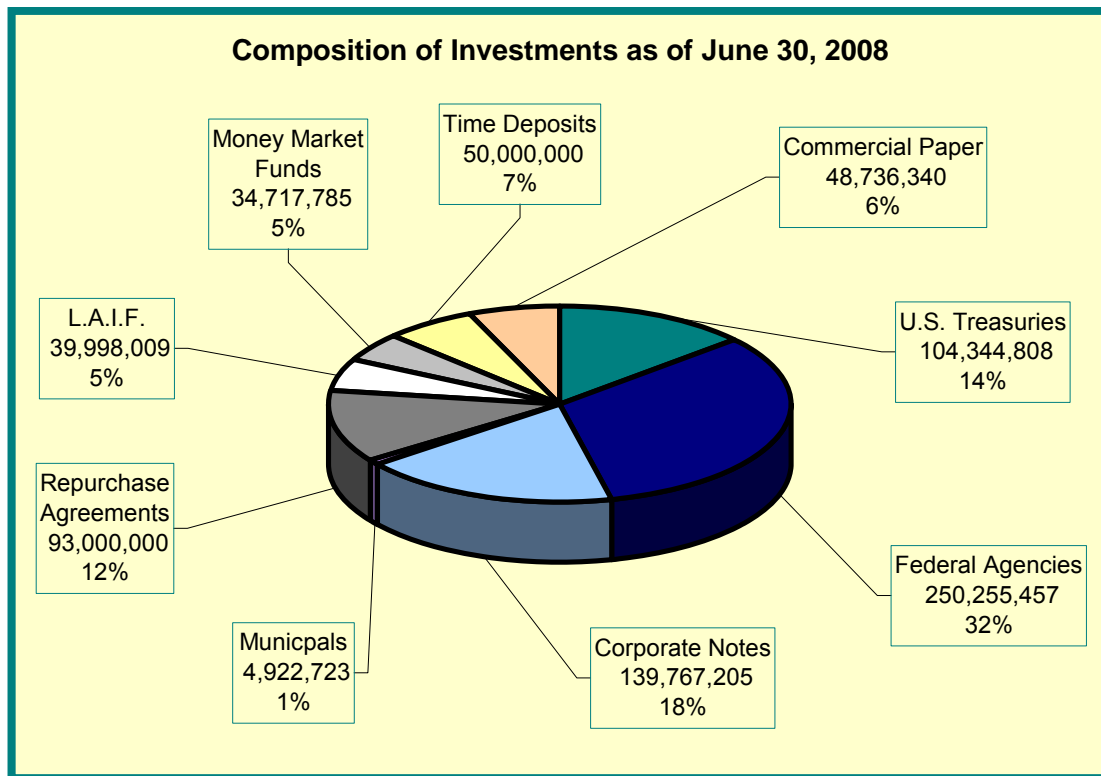
In our opinion, management's assertion that the County of Tulare Treasurer's Investment Pool complied with the aforementioned requirements for the fiscal year ended June 30, 2008, is fairly stated, in all material respects.

This report is intended solely for the information of the Tulare County Treasury Oversight Committee, the County Board of Supervisors, management, and applicable legislative bodies. However, this report is a matter of public record and its distribution is not limited. In addition, an audit report providing an opinion as to the financial position of the Treasurer's Investment Pool as of June 30, 2008 was issued separately.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION

Bakersfield, California
January 16, 2009

INVESTMENT SECTION



Administrative Overview

During the fiscal year 2007-08, the Tulare County Treasurer's Investment Pool's activities included the following:

- During the year, the Investment Pool structure has remained in compliance with the Investment Policy.
- The Investment Pool's investments had an increase in weighted average days to maturity from 556 days at June 30, 2007, to 609 days at June 30, 2008.
- The Investment Pool's total net assets increased by 5.0% from \$749 million on June 30, 2007, to \$786 million on June 2008.
- The unrealized change in fair value of investments increased from a \$3.1 million gain at June 30, 2007, to a \$9.8 million gain at June 30, 2008.
- The Investment Pool's expense ratio remained competitive at 0.15% of the average daily balance for the fiscal year 2007-08 and 0.14% for the fiscal year 2006-2007.
- The net investment income of the Investment Pool increased by 29.8% from \$33.1 million for the year ended June 30, 2007, to \$43.0 million for the year ended June 30, 2008.

Outline of the Investment Policy

The Investment Pool is managed in accordance with prudent money management principles and California Code Sections 27000.1-27000.5, 27130-27137, and 53600-53686.

The objectives of the Investment Pool, in order of priority, are:

1. **Safety** – The investment portfolio shall safeguard capital through the selection of investments and investing procedures to best protect against loss arising from default, fraud, or error.
2. **Liquidity** – The investment portfolio shall remain sufficiently liquid to enable the Treasury Pool to meet the operating requirements of its participants.
3. **Yield** – The investment portfolio shall achieve a competitive rate of return within the parameters of prudent risk management and the other primary goals of Safety and Liquidity.

The investment portfolio is managed in accordance with the parameters specified within the Investment Policy. The investment performance objective for the portfolio shall be to earn a total rate of return which is approximately equal to or greater than the return on a portfolio/index of securities with commensurate risk. These will include the Local Agency Investment Fund (LAIF) and the average two-year Treasury Note.

On an annual basis, the Treasury Oversight Committee (TOC) reviews and approves the Investment Policy. Once the TOC has recommended approval, the Board of Supervisors reviews and adopts the Investment Policy in a public forum. The Investment Policy focuses on risk management by setting limits on principal exposure by type of security, by issuer of debt, by minimum credit ratings and by placing return as the least important objective compared to safety and liquidity.

No investment shall be made in any security with a maturity greater than five years and the dollar-weighted average maturity of the portfolio shall not exceed 3.5 years. Some investments are restricted to terms less than five years. These maturity limitations are described in the following table.

Tulare County Treasurer's Pool

Investment Report

Allowable Instruments	County Maximum % of Portfolio	Code Maximum % of Portfolio	County Maximum Maturity	Code Maximum Maturity	County % per Issuer ¹
U.S. Treasury Obligations (\$53601 (b))	100	100	5 Years	5 Years	100
U.S. Agency Obligations or U.S. Government Sponsored Enterprises (\$53601 (e))	75	100	5 Years	5 Years	25
Medium Term Notes (Corporate) (\$53601 (j))	30	30	5 Years	5 Years	10
Bankers' Acceptances (\$53601 (f))	40	40	180 Days	180 Days	10
Negotiable Certificates of Deposit (\$53601 (h))	30	30	5 Years	5 Years	10
Repurchase Agreement (\$53601 (i))	50	None	30 Days	1 Year	N/A
Reverse Repurchase Agreements (\$53601 (i))	20	20	92 Days	92 Days	10
Collateralized "Time Deposits" (\$53650 et seq.)	25	None	3 Years	None	10
Commercial Paper (\$53601 (g) and (\$53635 (a))	40	40	270 Days	270 days	10
Money Market Funds (\$53601 (k))	15	20	N/A	N/A	10
Obligations issued by a State or local agencies within California or any of the other 49 United States (\$53601 (d))	20	100	5 Years	5 Years	10
Tulare County (\$53601 (a))	15	100	5 Years	5 Years	10
L.A.I.F. (\$16429.1)	\$40M	\$40M	N/A	N/A	N/A

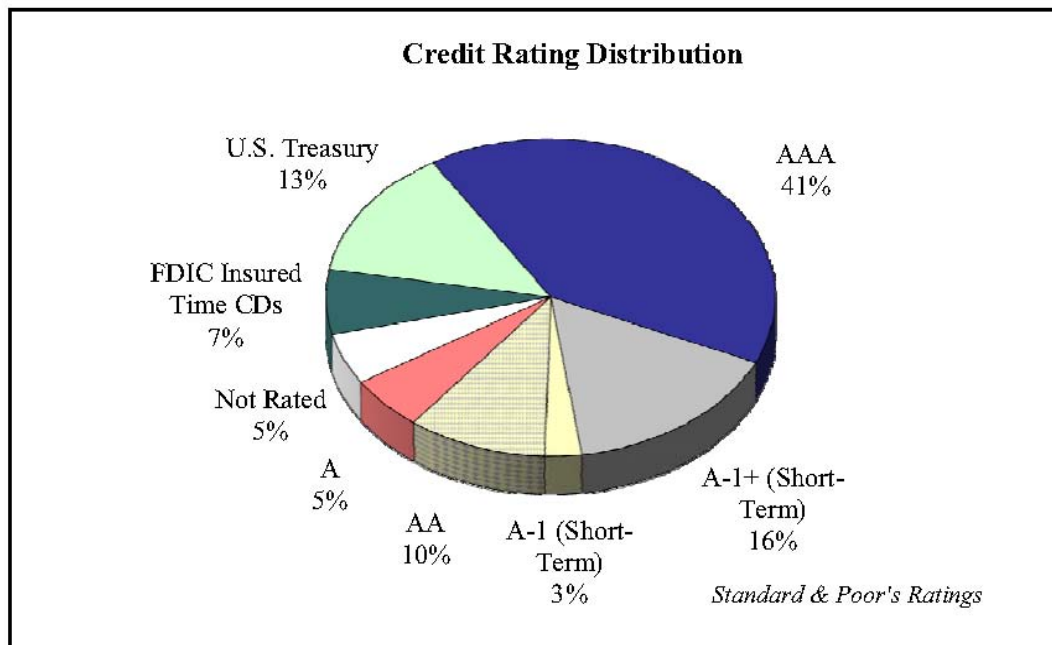
- 1** With the exception of overnight repurchase agreements, U.S. Government securities, including its agencies and instrumentalities, and authorized pools, no more than 10% of the County's aggregate investment portfolio may be invested in securities of a single issuer. Commercial paper is further limited to 5% of the outstanding paper of the issuing corporation.

Credit Risk and Concentration of Credit Risk

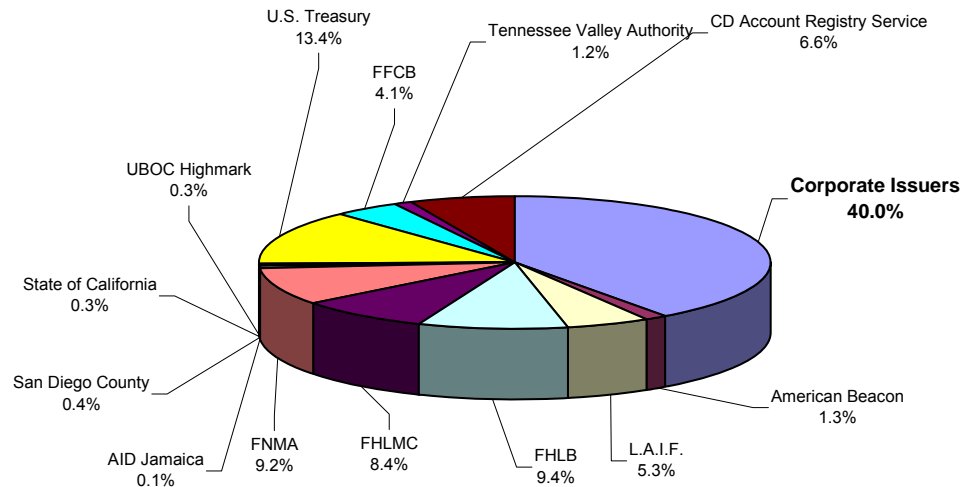
Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment with a single issuer. As of June 30, 2008, the Investment Pool mitigated these risks by holding a diversified portfolio of primarily high quality investments.

Credit Ratings	
U.S. Treasury	13%
AAA	41%
A-1+ (short-term rating)	16%
A-1 (short-term rating)	3%
AA	10%
A	5%
FDIC Insured	7%
Not Rated**	5%
Total	100%

** The portion of the portfolio that is not rated represents the \$40,000,000 deposit in LAIF, the State of California investment fund.



Tulare County Pool Characteristics by Issuer

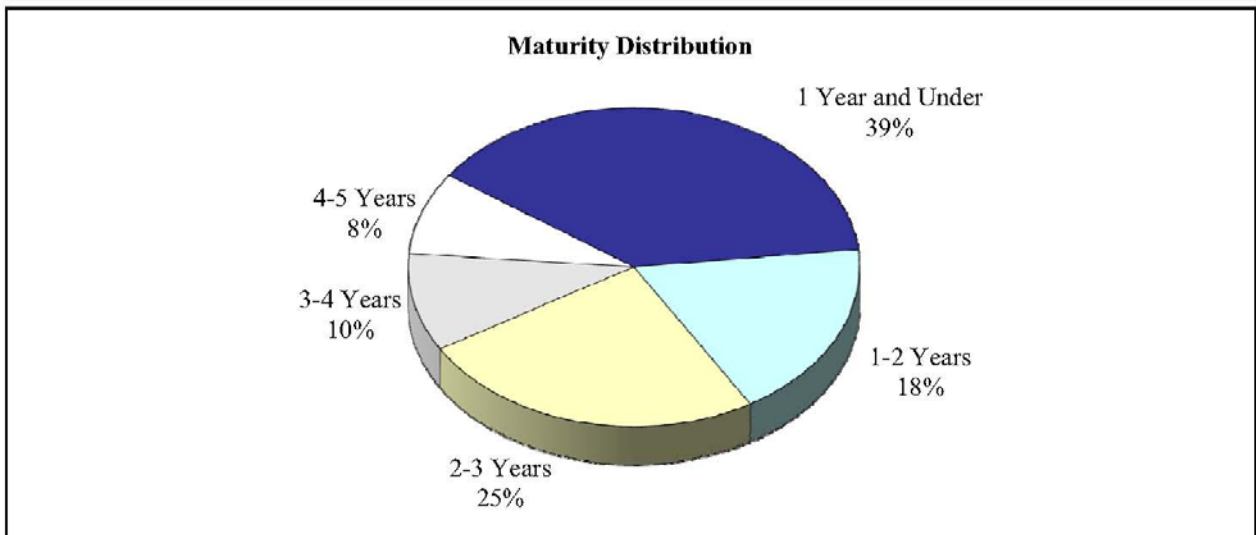
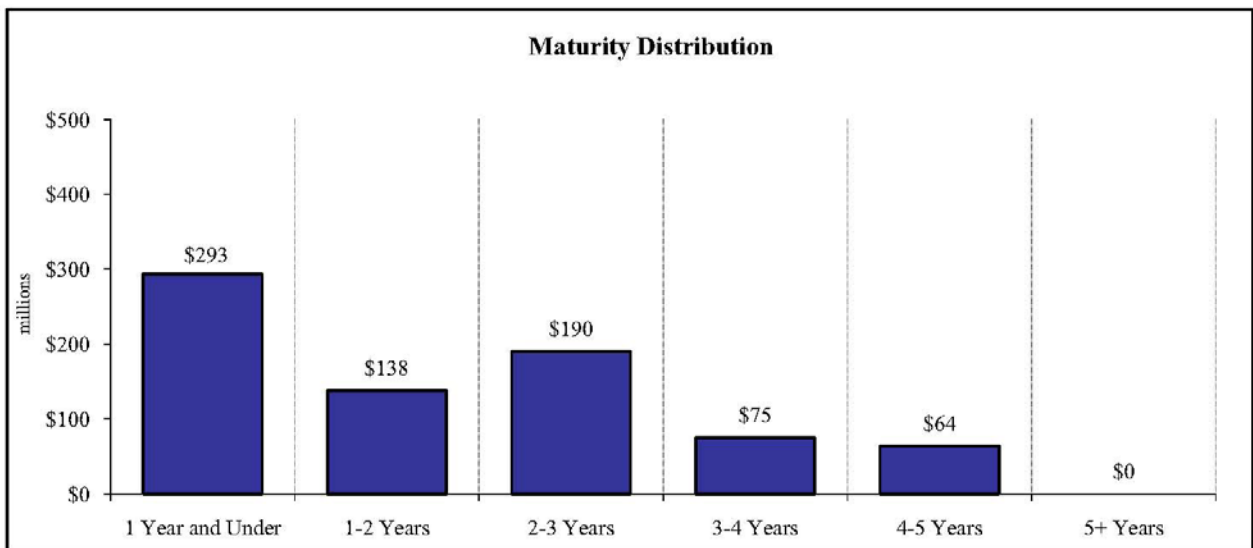


Corporate Issuer (40.0%)	Book Value	Market Value	% of Corporate Issuers	WAM (in days)
American General Finance	4,434,306	4,407,300	1.5%	457
Amstel Funding	19,899,611	19,897,000	6.5%	65
Bank of America	105,367,548	105,406,462	34.6%	36
Bank One	5,727,109	5,738,602	1.9%	231
Berkshire Hathaway	5,109,862	5,024,103	1.7%	563
Citigroup	10,503,264	10,452,520	3.4%	762
Conoco Phillips	2,445,420	2,426,798	0.8%	693
Emerson Electronic	2,526,448	2,483,612	0.8%	775
Firststar Bank	4,873,722	4,928,363	1.6%	518
G.E. Capital	14,905,847	14,922,740	4.9%	920
General Dynamics	2,587,052	2,553,575	0.8%	775
Goldman Sachs	11,320,532	11,380,958	3.7%	543
Heller Financial Corp	2,057,740	2,090,920	0.7%	488
HSBC Securities	4,342,969	4,370,828	1.4%	503
J.P. Morgan	6,863,430	6,798,400	2.3%	1,293
Merrill-Lynch	33,772,215	33,757,177	11.1%	105
Morgan Stanley	14,422,016	14,278,673	4.7%	590
Toyota	5,079,186	5,056,804	1.7%	1,051
United Technologies	2,528,822	2,535,570	0.8%	669
Wachovia	10,001,795	9,777,800	3.3%	1,201
Walmart	2,066,904	2,026,560	0.7%	730
Wells Fargo Bank	11,157,069	7,761,007	3.7%	1,220
Union Bank of California	22,570,750	22,570,750	7.4%	1
	304,563,618	300,646,520	100.0%	

Note: The obligation from Bank of America includes a \$93,000,000 collateralized overnight repurchase agreement.

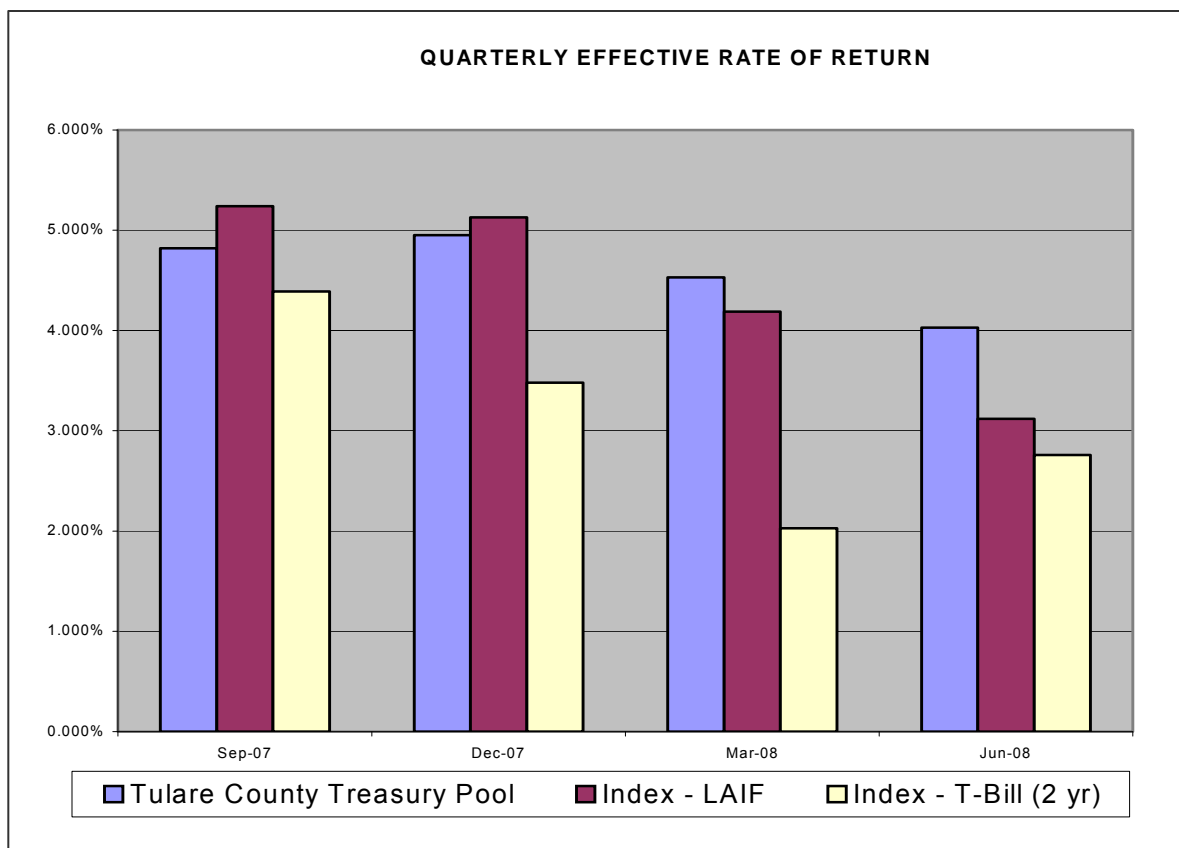
Interest Rate Risk

This is the risk that fluctuations in interest rates will adversely affect the fair value of an investment. The Treasury mitigates this risk by investing in longer-term securities only with funds that are not needed for current cash flow purposes. As of June 30, 2008, the investment portfolio had a high degree of liquidity.



Investment Results and Income Allocation

The investment portfolio was managed in accordance with the parameters specified within the investment policy. The investment performance objective for the portfolio shall be to earn a total rate of return which is approximately equal to or greater than the return on a portfolio/index of securities with commensurate risk. These benchmarks include the Local Agency Investment Fund (LAIF) and the average two-year Treasury Note. A chart of the Investment Portfolio versus the identified benchmarks is shown below.



The interest earned by each Investment Pool participant is proportionate to the quarterly average daily balance of the participant. Prior to distribution, expenses incurred by the County Treasury are deducted from the realized earnings. The Investment Pool's expense ratio for fiscal year 2007-2008 was .15% of the average daily balance. Apportionments are not paid out by warrants; all earnings are reinvested in the Investment Pool.

Tulare County Treasurer's Pool

Investment Report

	QTR 1	QTR 2	QTR 3	QTR 4	ANNUALIZED	
Average Daily Balance	670,095,669	684,592,307	743,987,757	817,088,655	728,941,097	
Total Earnings	8,132,689	8,542,507	8,403,394	8,215,419	33,294,010	4.57%
Treasury Fees	(220,020)	(310,514)	(204,003)	(363,875)	(1,098,411)	0.15%
Earnings - Net of Fees	7,912,669	8,231,994	8,199,391	7,851,544	32,195,598	4.42%

Investment Holdings Summary

Tulare County Treasury Investment Pool Statistics - June 30, 2008							
	PERCENT OF PORTFOLIO	MARKET VALUE	BOOK VALUE	ACCRUED INTEREST	UNREALIZED GAIN/(LOSS)	YTM	DAYS TO MATURITY
US Treasury Notes	13.63%	104,344,808	101,986,475	737,478	2,358,333	3.862	1,281
Federal Agency Notes	28.97%	221,854,782	219,457,570	2,344,172	2,397,212	4.096	925
Federal Agency - Step-ups	3.59%	27,504,050	26,785,704	223,315	718,346	4.673	664
Federal Agency - Floating Rate	0.12%	896,625	900,000	8,531	(3,375)	6.009	1,557
Municipal Notes/Bonds	0.28%	2,157,741	2,193,300	15,261	(35,558)	3.390	1,004
Municipal Bonds - Discount	0.36%	2,764,982	2,749,344	-	15,638	5.086	775
Corporate Medium Term Notes	17.62%	134,890,455	135,416,686	1,748,923	(526,231)	4.687	716
Corporate MTN - Floating Rate	0.64%	4,876,750	4,835,024	64,527	41,726	6.838	727
Repurchase Agreements	12.15%	93,000,000	93,000,000	5,477	-	2.149	1
Commercial Paper - Discount	6.36%	48,736,340	48,741,158	-	(4,818)	2.858	68
Time Deposits - FDIC Insured	6.53%	50,000,000	50,000,000	73,617	-	2.839	44
Local Agency Investment Fund	5.22%	39,998,009	40,000,000	310,172	(1,991)	2.860	1
Money Market Funds	4.53%	34,717,785	34,717,785	68,211	-	5.065	1
	100.00%	765,742,327	760,783,044	5,599,683	4,959,282	3.791	609

A complete list of the Investment Pool's Holdings is available on the internet at:
http://www.co.tulare.ca.us/government/treasurertax/treasurer_information/

STATISTICAL SECTION

Objectives

This section presents detailed information on the Investment Pool with historical perspective as a context for understanding and using the information in the financial statements, note disclosures, and required supplementary information. The following schedules contain five-year trend information to help the reader assess the changes over time.

Schedule of Additions/Deductions and Changes in Net Assets

This table allows the reader to evaluate the movements of increases and decreases in net assets.

SCHEDULE OF ADDITIONS/DEDUCTIONS AND CHANGES IN NET ASSETS					
	2008	2007	2006	2005	2004
Additions					
Additions to Pooled Investments	5,998,926,860	5,714,827,060	1,814,966,497	1,719,308,238	1,561,144,454
Net Investment Income	43,006,565	33,144,073	15,588,237	13,673,439	3,860,120
Total Additions	6,041,933,425	5,747,971,133	1,830,554,734	1,732,981,677	1,565,004,574
Deductions					
Distributions to Pooled Investments	5,971,028,221	5,628,232,150	1,738,767,985	1,659,889,580	1,578,566,594
Distributions to Participants	32,195,598	29,036,998	20,226,122	13,925,749	13,950,377
Treasury Operating Expenses	1,098,411	899,810	1,081,109	962,426	915,751
Total Liabilities	6,004,322,230	5,658,168,958	1,760,075,216	1,674,777,755	1,593,432,722
Changes in Net Assets	37,611,195	89,802,175	70,479,518	58,203,922	(28,428,148)
Net Assets Beginning of Year	748,717,139	658,914,964	588,435,446	530,231,524	558,659,672
Net Assets End of Year	786,328,334	748,717,139	658,914,964	588,435,446	530,231,524

Schedule of Earnings, Expenses, Average Daily Balances, and Returns

This table contains information to help the reader assess the Investment Pool's performance. It also presents the related expenses and its impact on returns.

SCHEDULE OF EARNINGS, EXPENSES, AVERAGE DAILY BALANCES, AND RETURNS								
FISCAL YEAR	AVERAGE BALANCE	INTEREST EARNINGS	TREASURY FEES	ANNUALIZED Y-T-D	ANNUALIZED RATE OF RETURN			
					1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
2003 - 2004	n/a	n/a	n/a	2.77%	3.21%	3.21%	2.42%	2.23%
2004 - 2005	n/a	n/a	n/a	2.45%	2.19%	2.37%	2.12%	3.04%
2005 - 2006	n/a	n/a	n/a	3.42%	3.08%	3.12%	2.96%	4.02%
2006 - 2007	656,766,972	29,936,808	(899,810)	4.42%	4.16%	4.13%	4.58%	4.74%
2007 - 2008	728,941,097	33,294,010	(1,098,411)	4.42%	4.68%	4.77%	4.42%	3.85%
n/a - Accounting data used in the preparation of this table was not archived in such a manner to enable a retroactive restatement of the previous accounting years.								

Schedule of Investment Asset Allocation

This table presents historical changes in asset allocation to help the reader evaluate portfolio diversity and risk

Investment Pool Asset Allocation - Fair Value (dollar amount in thousands)										
	6/30/2008		6/30/2007		6/30/2006		6/30/2005		6/30/2004	
	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
US Treasury Notes	104,345	13.6%	91,281	12.5%	57,667	9.0%	96,584	16.7%	73,051	14.3%
Federal Agency Notes	221,855	29.0%	220,837	30.2%	237,794	36.9%	210,658	36.3%	204,377	40.0%
Federal Agency - Discount	-	-	1,371	0.2%	-	-	-	-	-	-
Federal Agency - Step-ups	27,504	3.6%	31,403	4.3%	43,606	6.8%	36,814	6.3%	23,687	4.6%
Federal Agency - Floating Rate	897	0.1%	1,097	0.2%	1,297	0.2%	1,496	0.3%	1,696	0.3%
Municipal Notes/Bonds	2,158	0.3%	-	0.0%	-	-	-	-	-	-
Municipal Bonds - Discount	2,765	0.4%	2,580	0.4%	-	-	5,915	1.0%	5,747	1.1%
Corporate Medium Term Notes	134,890	17.6%	117,974	16.1%	63,075	9.8%	63,753	11.0%	46,181	9.0%
Corporate MTN - Floating Rate	4,877	0.6%	-	0.0%	-	-	-	-	-	-
Repurchase Agreements	93,000	12.1%	214,000	29.3%	81,000	12.6%	30,000	5.2%	21,000	4.1%
Commercial Paper - Discount	48,736	6.4%	-	0.0%	109,524	17.0%	104,890	18.1%	94,932	18.6%
Time Deposits - FDIC Insured	50,000	6.5%	-	0.0%	-	-	-	-	-	-
Local Agency Investment Fund	39,998	5.2%	19,990	2.7%	19,964	3.1%	19,955	3.4%	39,935	7.8%
Money Market Funds	34,718	4.5%	30,646	4.2%	30,221	4.7%	10,000	1.7%	-	-
	765,742	100.0%	731,179	100.0%	644,148	100.0%	580,065	100.0%	510,606	100.0%

